

**SOAH DOCKET NO. 582-08-2863  
TCEQ DOCKET NO. 2008-0093-UCR**

<b>APPEAL OF THE RETAIL WATER AND WASTEWATER RATES OF THE LOWER COLORADO RIVER AUTHORITY</b>	<b>§ § §</b>	<b>BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS</b>
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**LOWER COLORADO RIVER AUTHORITY'S REPLY TO  
EXCEPTIONS TO THE ADMINISTRATIVE LAW JUDGE'S  
PROPOSAL FOR DECISION**

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<b>APPEAL OF THE RETAIL WATER</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>AND WASTEWATER RATES OF THE</b>	<b>§</b>	<b>OF</b>
<b>LOWER COLORADO RIVER AUTHORITY</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

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TO THE HONORABLE COMMISSIONERS OF THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY:

The Lower Colorado River Authority ("LCRA"), pursuant to 30 Tex. Admin. Code § 80.257(a), hereby files its Reply to Exceptions to the Administrative Law Judge's ("ALJ") Proposal for Decision ("PFD") in the above-captioned matter, and in support states as follows:

**I.  
INTRODUCTION**

With the exception of certain indirect/shared operation and maintenance (O&M) costs, the ALJ concluded that the LCRA cost and cost components for both WTC Water and WTC Wastewater for FY 2007 were reasonable. For the indirect/shared O&M costs, the ALJ recommended a different allocation methodology, and requested that the parties perform the calculation by substituting direct labor for volume, as an allocator, while using FY 2007 costs contained in the record. The ALJ made these recommendations after determining that LCRA, as most retail public utilities, may set rates based on budget projections rather than test year revenue requirements adjusted for known and measurable changes.

There was sufficient evidence in the record to allow the parties to perform the rate calculations requested by the ALJ, and in fact, all parties performed the calculations. There are,

however, flaws with Appellants' calculations. The correct calculations reveal that LCRA's adopted rates are needed to provide sufficient revenues to meet LCRA's FY 2007 costs.

Appellants further argue: 1) that rates should be returned to their level prior to August 2007 because of insufficient evidence in the record; and 2) that rate increases may only be based on test year revenues (despite the statutes, precedents and ALJ's rulings to the contrary). Both contentions are incorrect, and Appellants turn to these "all or nothing" arguments because calculating rates based on evidence in the record from FY 2007 establishes that the rate increases approved by the LCRA Board of Directors in August 2007 resulted in just and reasonable rates.

## **II. ERRORS IN APPELLANTS' CALCULATIONS**

### **A. GENERAL**

The most significant of Appellants' calculation flaws relates to the treatment of Net Residual Corporate Costs—which is a net of Corporate Residual Costs and Capital Credits. Both Bee Cave and the Districts perform the calculation with regards to the Corporate Residual Cost portion, but fail to do the same with regards to the Capital Credit portion. Bee Cave explains that they performed the calculation in that manner because Capital Credits is not allocated based on volume. Bee Cave is wrong, and the document that they rely on to arrive at that conclusion, LCRA Ex. 4, SK-19, does not address the allocation of Capital Credits whatsoever. The residual expense and credits are allocated in the same manner once they flow to the Business Unit; therefore, they both get allocated to the individual systems based on volume.

By adjusting Corporate Residual Costs and not touching the Capital Credits portion, Appellants arrive at a distorted result. Under their calculation, WTC Water's portion of the credit is over \$1M, and yet, the residual costs are approximately \$100K. The net effect, under their

calculation, is that WTC Water gets a credit in the amount of \$900K. Under their theory, by virtue of being in the LCRA Corporate structure, WTC Water (and WTC Wastewater for that matter) receives corporate type services (e.g. accounting, human resources, IT, etc.) and also gets a credit that equals 10 times the actual expenses associated with such services. Appellants' calculations of corporate costs are plainly wrong.

Adjusted for only this error, Appellants' calculation of indirect/shared costs almost match the number calculated by LCRA as well as the Executive Director. This results in a revenue requirement that is greater than the revenues generated by LCRA's third step of the rate increase. Both the Executive Director and LCRA have performed the calculation to determine the amount of revenues that are generated by the third step of the rate increase, whereas Appellants have not. For the reasons set forth in LCRA's Exceptions, the rates approved by the LCRA Board on August 22, 2007 for WTC Water are just and reasonable.

With respect to WTC Wastewater, Bee Cave did not file exceptions. The Districts did. Their calculations, however, contain too many errors to be meaningful, including significant spreadsheet errors. LCRA submits that a thorough discussion of WTC Wastewater is not needed, because as explained by LCRA in its Exceptions, the substitution of direct labor for volume for WTC Wastewater results in higher, not lower, costs. In other words, WTC Wastewater's direct labor percentage is higher than its volume percentage (6.2% vs. 4.2%), resulting in an overall increase in costs based on the ALJ's methodology. That is an undisputed fact. As shown in LCRA's Exceptions, the rates approved by the LCRA Board on August 22, 2007 for WTC Wastewater are just and reasonable.

## **B. WTC WATER**

### **1. Calculation of Shared/Indirect Costs**

A comparison of the calculations performed by Bee Cave, the Districts and LCRA reveals that the parties' calculations result in costs that are within a few percentage points with regards to every cost pool, except for the Net Corporate Residual—Net Corporate Residual is the only cost component for which there is a wide gap between the parties.

In fact, if Net Corporate Residual is taken out of the equation, the totals for all other cost pools are as follows:

- LCRA: \$1,657,306
- Bee Cave: \$1,685,144
- Districts: \$1,708,519

LCRA's totals are 1.7% less than Bee Cave's total, and 3% less than the Districts' total. With regards to Net Corporate Residual, Bee Cave and the Districts represent that WTC Water should get a credit from LCRA's Corporate Services Business Unit (CSBU), to the tune of approximately \$900,000, whereas LCRA represents that under the revised methodology recommended by the ALJ, there is a cost of \$185,505. In other words, Appellants assert that under a change in allocation methodology from volume to direct labor, the Net Corporate Residual cost changes from a cost of \$508,065<sup>1</sup>, to a credit of over \$900,000, a swing of over \$1.4M. Appellants' calculations are wrong.

The Districts provided no explanation in their brief on how they reached this conclusion, but Bee Cave did. As correctly explained by Bee Cave, Net Corporate Residual Costs consist of two components: (1) Corporate Residual Costs, and (2) Capital Credits.<sup>2</sup> Bee Cave also correctly

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<sup>1</sup> This is the actual Net Corporate Residual cost for FY 2007. See LCRA Ex. 4, SK-4.

<sup>2</sup> See Bee Cave's Exceptions, p. 4.

states that Exhibit SK-4, represents the net of these two numbers. Bee Cave is incorrect, however, in its assertion that Capital Credits are not allocated based on volume. Capital Credits are deducted from Residual Costs and allocated in the same manner at the Business Unit level. Therefore, the change of an allocator from direct labor to volume impacts both the residual expenses as well as the credits.

Bee Cave's reliance on SK-19 for the proposition that Corporate Credits are not allocated based on volume is misplaced. LCRA Exhibit 4, SK-19 discusses allocations to capital at the Water Services Business Unit level.<sup>3</sup> This document discusses the development of the 3% allocator factor for capital within WSBU, and states that within WSBU, 3% is added to all capital spending, and the O&M budget is then credited.<sup>4</sup> The allocation to capital is not volume based.

This document, SK-19, represents the accounting principle behind capital activity and does not represent the allocation of costs from WSBU down to the utilities. The costs originate with CSBU and are allocated according to the Cost Allocation Manual (i.e. labor, revenue, assets, etc.) The credit is based on capital spending at the Business Unit level.<sup>5</sup> Once there, they get allocated in the same method (volume for the utilities). Every witness that has testified about allocations from CSBU and every document relates to allocation of corporate costs is essentially

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<sup>3</sup> See LCRA Ex. 4, SK-19, p. 1, heading entitled "Allocations to Capital."

<sup>4</sup> *Id.* ( "Water Services will use an allocation rate of 3% of direct costs to capital projects for fiscal year 2007, or approximately \$1.6 million,...The proposed allocations to capital are based upon an overhead study conducted in conjunction with fiscal year 2007 budget process, as reviewed by the Controller,...The study derived different rates for each operating unit. In order to simplify the process, Water Services proposed the adoption of a single 3% rate to apply to all capital projects,...The allocation of common costs to the capital activity of the operating units will be offset by O&M credits within the respective operating units,...")

<sup>5</sup> See LCRA Ex. 3, JT-6.

discussing the net of residual and credit because they get allocated in the same fashion.<sup>6</sup> Appellants' reliance on SK-19 is misplaced.

During the hearing, Bee Cave understood that SK-19 represented allocations to capital, and as represented by this exchange, asked Mr. Travis to explain the concept:

Q. Okay. Thank you. Towards the bottom of this, it relates to the allocations to capital. And if you would, could you please generally explain allocating capital?

A. Sure. Under Generally Accepted Accounting Principles, there is a requirement that says that you should fully cost your capital activity. And while we—again, it comes down to a cost beneficial manner in which you assign overhead costs to capital.

We've chosen a process that determines a percentage that we'll charge to those direct expenses and capital that will, in effect, move O&M dollars or expense dollars over to capital. So we'll end up capitalizing some of the overhead, again in accordance with Generally Accepted Accounting Principles. And what that will do is, it will credit the expense side. So you'll see a reduction in expense because it's being capitalized on capital projects, and that's what we do throughout the organization.<sup>7</sup>

Adjusted for this error, the Net Corporate Residual amounts to \$98,001 under Appellants' calculations. The calculation is provided in Attachment 1.

If the corrected amount of \$98,001 is included in Appellants' calculations for Net Corporate Residual, the indirect/shared costs, as calculated by the parties, are as follows:

- Bee Cave: \$1,783,145
- Districts: \$1,806,520
- LCRA: \$1,842,811<sup>8</sup>

LCRA's number is a mere 2% higher than the Districts' calculation, and approximately 3% higher than Bee Cave's calculation. As discussed in Section IV,<sup>9</sup> Bee Cave's lower number

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<sup>6</sup> Tr. Vol. 4, pp. 743-747; *see also* LCRA Ex. 3, JT-14; LCRA Ex. 4, SK-9.

<sup>7</sup> Tr. Vol. 3, p. 594:3-22 (emphasis added).

<sup>8</sup> *See* Attachment 2.



of \$1,783,145 does not impact the rates. The rates approved by the LCRA Board on August 22, 2007 would still be reasonable because they generate lower revenues than the revenue requirement that is based on the above indirect/shared costs.

As a point of comparison, one can compare these numbers to the indirect/shared costs of the system prior to the use of volume as an allocator. As the ALJ notes in FOF No. 64, “LCRA’s use of relative volume as the primary allocator for shared and indirect costs began in FY 2006.” Therefore, prior to that time, costs were not allocated based on volume. In FY 2004, for example, the indirect/shared costs totaled \$1,862,356.<sup>10</sup> Accordingly, under the ALJ’s recommendation to convert allocators, after 3 years of substantial growth in the customer base and the system,<sup>11</sup> the total indirect/shared costs associated with the system remains stagnant, and in fact, decreases. This statistic shows the inequity associated with converting allocators in the manner proposed by the PFD, but it also shows that the numbers derived by LCRA, above, is a conservative representation of the total indirect/shared costs based on the conversion, especially when one considers the level of growth that occurred in the system during those years.

## 2. Exclusions

As explained in LCRA’s Exceptions, the ALJ’s recommendation that certain costs be excluded appeared to have been based on a misunderstanding of Mr. Stowe’s testimony. In fact, the ALJ does not conclude that those costs were unreasonable, but rather, recommends that they be deleted because he did not believe that LCRA was seeking to recover those costs.<sup>12</sup> As

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<sup>9</sup> See also Executive Director’s Exceptions, wherein the Executive Director determines that the implementation of the third step of the rates would generate revenues less than a revenue requirement totaling \$9.5 million.

<sup>10</sup> See proposed FOF No. 66; LCRA Ex. 1, SZ-7.

<sup>11</sup> Total meter growth for WTC Water System for the four-year period prior to Fiscal Year 2007 averaged 30 percent per year. LCRA Ex. 1, p. 15:13-16. See also LCRA Ex. 2, pp. 18:20-20:14.

<sup>12</sup> See PFD, p. 41 (“One group of exceptions is the particular O&M adjustments, proposed by Ms. Heddin, that Mr. Stowe said LCRA is not seeking to recover,... Whatever Mr. Stowe meant by his observation, he did not rebut Ms.

explained in detail in LCRA's Exceptions, Mr. Stowe stated that LCRA did not seek to recover those costs because the rates were based on budget FY 2007 figures, and not the FY 2007 actual costs included in the ledger. Mr. Stowe was stating the obvious: that LCRA was not seeking to recover the costs in the FY 2007 ledger, because LCRA based its rates on budgeted numbers. If the rates are to be based on actual data, as recommended by the ALJ, then those costs must be included. Indeed, there would be no basis to exclude such costs, and there is no finding that those costs were unreasonable.

The ALJ is perhaps in the best position to clarify whether he continues to believe the costs should be excluded, or rather, with the explanation provided by LCRA, he now believes that the costs should remain within the cost pools. Significantly, as discussed in LCRA's Exceptions, and further discussed below, while the exclusions alter the numbers, they have no impact on the rates. That is, even with the exclusions, Bee Cave's corrected calculation of \$1,783,145 for indirect/shared costs, does not render the rates to be unreasonable. Nevertheless, LCRA has provided, in Attachment 3, the calculation of indirect/shared costs under Bee Cave's method of calculating the figures, without the exclusions. As demonstrated, the resulting indirect/shared costs would amount to \$1,957,250, which is higher than the amount calculated by LCRA.

### 3. Operations Reserves

Appellants claim that the ALJ's proposed FOF No. 109 prevents the inclusion of Operations Reserves as a component of revenue requirement, and therefore, they exclude \$179,997 (the amount representing operating reserves for FY 2007). LCRA believes that

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Heddin's adjustments." With the exception of Legislative Advocacy, as well as the amount of \$18,536 for outside services, the exclusions recommended by the ALJ appear to be based on a misunderstanding of Mr. Stowe's testimony.

Appellants misread the ALJ's findings on operations reserves. The ALJ discusses LCRA Board Policy 301, which sets forth LCRA's target levels of operations reserves. The ALJ then sets out the amount of operations reserve for WTC Water and WTC Wastewater (\$179,997 for WTC Water and \$47,340 for WTC Wastewater), which was less than the targeted level, and ultimately concludes that an additional amount of operations reserve is not required.<sup>13</sup> LCRA reads this to mean that an amount, in addition to the actual amount that is included in LCRA's ledger, is not warranted. LCRA does not interpret the ALJ's statement to mean that LCRA should not include any operations reserves as a cost component. Again, the ALJ is in the best position to clarify what his statement was intended to mean.

Nevertheless, LCRA notes that operations reserves are an essential component of revenue requirements<sup>14</sup> and are mandated under LCRA Board Policy 301.<sup>15</sup> Therefore, a finding that does not authorize a utility to include operations reserves as a component of its revenue requirements is contrary to standard ratemaking principles and is in violation of LCRA Board Policy 301.<sup>16</sup> The amount of \$179,997 for WTC Water and \$47,340 for WTC Wastewater is the actual amount introduced into the record, is a reasonable amount, and should be included in the calculation for revenue requirements.

#### 4. Community Development

The actual Community Development cost for FY 2007 was \$298,333 and that is the cost that must be included in the revenue requirements. Appellants calculations are incorrect for several reasons: 1) their O&M calculation is incorrect, for the reason discussed above; 2)

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<sup>13</sup> See PFD, p. 38, *see also* Proposed FOF No. 106-110.

<sup>14</sup> *See also* LCRA Ex. 4, p. 6:15-25; LCRA Ex. 5, p.5:4-7, p.6:3-16; Districts Ex. 1, p. 36:2-12.

<sup>15</sup> LCRA Ex. 5, MF-14.

<sup>16</sup> As noted, LCRA does not believe that the ALJ made such a finding.

operations reserves need to be included in the calculation; and 3) the non-rate revenue of \$1,989,264 is a budgeted amount that includes \$763,000 of Excess Capacity Funds—an amount that should not be included as it constitutes non-rate revenue. If Appellants errors are corrected, the amount of \$298,333, which is the actual amount included as Community Development for FY 2007, would be reasonable.

## 5. Revenue Requirements

LCRA believes that if the Commission finds that LCRA must convert its allocator from volume to direct labor, then the following costs have been shown to be reasonable for FY 2007:

<b>Cost Component</b>	<b>Based on PFD</b>
Direct O&M	\$1,935,893
Indirect/Shared Costs	\$1,842,810 <sup>17</sup>
Debt Service	\$4,549,074
Debt Service Coverage	\$1,137,269
Community Development	\$298,333
Operating Reserves	\$179,997
Raw Water	\$525,092 <sup>18</sup>
<b>Total</b>	<b>\$10,465,672</b>
<b>Non-Rate Revenues</b>	<b>(\$895,645)</b>
<b>Revenue Requirements</b>	<b>\$9,570,027<sup>19</sup></b>

<sup>17</sup> As shown above, Bee Cave's number totals \$1,783,145 after it is corrected to reflect the proper manner of allocating corporate costs. LCRA submits that the lowest number that can be included as indirect/shared cost is \$1,783,145. In fact, if the ALJ concludes that the exclusions were based on a misunderstanding and are not warranted, Bee Cave's number will be \$1,957,250, which is greater than LCRA's number of \$1,842,810. See Attachment 3.

<sup>18</sup> See DGR-12 for actual Raw Water costs. See also Hearing Tr. Vol. 8, pp. 1490:25-1491:1; Hearing Tr. Vol. 6, pp. 1147-1148.

<sup>19</sup> In its Exceptions, LCRA depicted the revenue requirement figure, based on the ALJ's PFD, as \$9,239,672. That number was derived by including as non-rate revenues an amount totaling \$1,226,000. See Table 8, LCRA Exceptions. The actual non-rate revenue was derived from WTC-46. While \$1,226,000 represents the actual non-rate revenues for FY 2007, LCRA does not believe that it is appropriate to use that number for ratemaking purposes because that number was not normalized, meaning that non-normal revenues, whether weather-related or contractual-related are included in that number. The more appropriate number would be to use the budgeted number, which LCRA has normalized. Tr. Vol. 8, pp. 1490-1491; see also Tr. Vol. 10, p. 1906, discussing the need to normalize data; Tr. Vol. 6, p. 1147-1148 (stating that the system's budget is normalized). As illustrated in LCRA Ex. 1, SZ-7, Table 3W, the budgeted non-rate revenues for FY 2007 are \$895,645. Excess Capacity Funds are not included in this calculation per the ALJ's recommendation. See proposed FOF No. 126. Notably, even the

### C. WTC WASTEWATER

The ALJ recommended that the parties calculate indirect/shared expenses by substituting direct labor for volume, as an allocator. As explained by LCRA in its Exceptions, the conversion results in higher costs being allocated to WTC Wastewater, given that the allocator percentage based on volume is 4.2%<sup>20</sup> and the allocator percentage for direct labor is 6.2%.<sup>21</sup>

Bee Cave did not file exceptions with respect to WTC Wastewater, as they only protested the rates of WTC Water. The Districts filed exceptions for WTC Wastewater. There are, however, numerous errors in the Districts' calculations.

First, the Districts make deductions to the WTC Water direct charges of \$609,681 without any basis, and contrary to the ALJ's recommendation. The Districts' incorrect deductions are as follows:

- The Districts deduct \$5,416 to Rate and Financial Analysis without any basis or cause. The PFD does not recommend this deduction.
- The Districts deduct \$90,000 in Real Estate Acquisitions without any basis or cause. The PFD does not recommend this deduction.
- The Districts deduct \$45,485 for Raw Water Charges and an additional \$4,472 for Reservation Fees. The PFD recommends that Reservation Fees not be included as a cost component, but LCRA has filed exceptions to this finding. Nevertheless, the \$609,681 figure does not include a Raw Water Charge or Reservation Fee, and therefore, there is nothing to deduct.<sup>22</sup>

Second, the Districts have deducted the costs included in every cost pool, including those that do not use volume as an allocator. The Operating Center and Customer Service cost pools

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Districts' expert, Donald Rauschuber, used budgeted numbers for his non-rate revenue figures included in his proposed revenue requirement, despite the fact that he used actual FY 2007 costs. *See* Ex. DGR-11.

<sup>20</sup> *See* BC-77.

<sup>21</sup> *Id.*; BC-83; *see also* Districts' Exceptions, Attachment A, Table Two, wherein they correctly include an allocator percentage of 6.22% for direct labor.

<sup>22</sup> *See* DGR-20. DGR-20 represents the total O&M costs of WTC Wastewater to be \$1,097,419. SK-4 represents that total costs are \$1,047,459. The difference is \$49,960, which represents the Raw Water Charge and the Reservation Fee. Accordingly, SK-4 does not include raw water charges or reservation fees, and therefore, a deduction for costs that are not included is not appropriate.

are not volume based,<sup>23</sup> and therefore the cost allocated to WTC Wastewater from those cost pools should remain the same as that depicted in LCRA Ex. 4, SK-4. That exhibit depicts Operating Center costs to be \$55,255 and costs from the Customer Service cost pool to be \$124,547.<sup>24</sup> Yet, the Districts modify these numbers and represent the cost for Operating Center to be \$31,861, and the cost for Customer Service as \$38,678.<sup>25</sup> The Districts' calculations are incorrect.

Third, Attachment A, Table Two of the Districts' Exceptions contains a major spreadsheet error. Rather than applying the allocator percentage to the amount contained in the cost pool, the Districts incorrectly apply the percentage to the amount that was allocated to WTC Water. For example, in Attachment A, Table Two, the Districts represent that the Water Services Business Unit pool has costs totaling \$5,408,124. They also correctly represent that the percentage allocator should be 6.22%. Rather than applying the 6.22% to \$5,408,124, they incorrectly apply the 6.22% to \$305,255. The Districts have represented the \$305,255 as an amount needed to be allocated to WTC Water, so the application of the WTC Wastewater percentage allocator to that amount is meaningless. The allocator percentage needs to be applied to the amount contained in the cost pool. This mistake appears throughout their table. If these errors are corrected, the resulting expenses will be much higher than what they represent, and in fact, much higher than the amount that was used to base the rates in this case.<sup>26</sup>

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<sup>23</sup> LCRA Ex. 11, pp. 7-8; *see also* PFD, pp. 25-26.

<sup>24</sup> *See* LCRA Ex. 4, SK-4; *see also* DGR-20.

<sup>25</sup> Districts' Exceptions, Attachment A, Table Two.

<sup>26</sup> If the Districts' spreadsheet error is corrected, the costs will be as follows: WTC Region \$34,210 (\$171,910x19.9%); WWUS \$215,718 (\$3,468,143x6.22%); NBD \$77,682 (\$390,363x19.9%); WSBUS \$336,385 (\$5,408,124x6.22%); CSBU 29,026 [(\$33,336,941-\$7,695,772) x 13% x 14% x 6.22%]. With the Operating Center and Customer Service costs remaining the same (as those do not use volume), the resulting indirect/shared cost would be \$872,823, which is higher than any cost proposed by LCRA.

It is undisputed that the conversion from volume to direct labor results in higher costs being allocated to WTC Wastewater. If it is found that it is reasonable to convert allocators for WTC Wastewater (from volume to direct labor), a finding with which LCRA disagrees, then the following costs would apply:

<b>Direct O&amp;M Expenses</b>	\$609,681
<b>Indirect/shared O&amp;M Expenses</b>	\$574,334 <sup>27</sup>
<b>Debt Service</b>	\$1,857,034
<b>Debt Service Coverage</b>	\$464,259
<b>Operations Reserve</b>	\$47,340
<b>Raw Water Charge and Reservation Fee</b>	\$49,957
<b>Community Development</b>	\$84,901
<b>Total Expenses</b>	\$3,637,639
<b>Non-Rate Revenues</b>	(\$418,000) <sup>28</sup>
<b>Revenue Requirement</b>	<b>\$3,219,639</b>

If, however, the allocators remain unchanged, then the table below represents the costs of the utility:

<b>Direct O&amp;M Expenses</b>	\$609,681
<b>Indirect/shared O&amp;M Expenses</b>	\$437,779
<b>Debt Service</b>	\$1,857,034
<b>Debt Service Coverage</b>	\$464,259
<b>Operations Reserve</b>	\$47,340
<b>Raw Water Charge and Reservation Fee</b>	\$49,957
<b>Community Development</b>	\$84,901
<b>Total Expenses</b>	\$3,550,951
<b>Non-Rate Revenues</b>	(\$418,000)
<b>Revenue Requirement</b>	<b>\$3,132,951</b>

<sup>27</sup> See LCRA Exceptions, Section III.A.2 for the calculation.

<sup>28</sup> In its Exceptions, LCRA depicted the revenue requirement figure, based on the ALJ's PFD, as \$2,765,639. That number was derived by including as non-rate revenues an amount totaling \$872,000. See Table 13, LCRA Exceptions. That is the actual non-rate revenue as depicted in WTC-48. While \$872,000 represents the actual non-rate revenues for FY 2007, LCRA does not believe that it is appropriate to use that number for ratemaking purposes, as that figure has not been normalized. This means the non-normal revenues, whether weather-related or contractual-related are included in that number. The more appropriate number would be to use the budgeted number, which LCRA has normalized. Tr. Vol. 8, pp. 1490-1491; *see also* Tr. Vol. 10, p. 1906, discussing the need to normalize data; Tr. Vol. 6, pp. 1147-1148 (stating that the system's budget is normalized). As illustrated in LCRA Ex. 1, SZ-7, Table 3S, the budgeted non-rate revenues for FY 2007 are \$418,000. Excess Capacity Funds are not included in this calculation per the ALJ's recommendation. See proposed FOF No. 126. Notably, even the Districts' expert, Donald Rauschuber, used budgeted numbers for his non-rate revenue figures included in his proposed revenue requirement, despite the fact that he used actual FY 2007 costs. See Districts' Ex. 1, p. 92:20-24.

Under either revenue requirement, the rates approved by the LCRA Board are reasonable.

### III. COMMENT ON EXECUTIVE DIRECTOR'S CALCULATIONS

#### A. WTC WATER

The Executive Director concludes that the conversion from volume to direct labor results in an indirect/shared cost of \$1,858,710. While the Executive Director's calculations are correct, their indirect/shared costs represent FY 2006 numbers, rather than FY 2007 figures.<sup>29</sup> That is, the Executive Director includes FY 2006 costs for each of the indirect/shared cost component, and also uses the FY 2006 allocator percentages.<sup>30</sup> This is likely an unintentional error on the part of the Executive Director, however, the Executive Director's calculations are noteworthy as they give the Commission (and the ALJ) another data point. Under the Executive Director's calculation, the indirect/shared costs for FY 2006 are \$1,858,710, as compared to LCRA's calculation of \$1,842,810 for FY 2007.

The Executive Director's methodology for calculating the indirect/shared costs follows the calculation used by LCRA, and therefore, the inclusion of FY 2007 costs, and also the FY 2007 allocator percentages, would result in an amount that is similar to LCRA's calculations.

Most importantly, consistent with LCRA's representation in its Exceptions, the Executive Director concludes that even if indirect/shared costs are reduced to \$1.8 million, LCRA's rates would still be reasonable, and in fact there would be a 1% shortfall.<sup>31</sup>

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<sup>29</sup> Table 1, Attachment A of the Executive Director's Exceptions states that Column C is "From SK-4." A review of the numbers for the indirect/shared cost components reveals, however, that they are from SK-3, which represents FY 2006 numbers.

<sup>30</sup> The Executive Director correctly states that the conversion change in FY 2006 would be from 63.9% to 21%. As depicted in BC-77, the conversion rate for FY 2007 changes and is from 56.6% to 20.67%

<sup>31</sup> See Executive Director's Exceptions, Attachments A and E.



## B. WTC WASTEWATER

The Executive Director's overall figures are very similar to the calculations of LCRA. There is, however, one fundamental mistake in the Executive Director's calculations, resulting in the under-reporting of the revenue requirements for WTC Wastewater. The Executive Director uses the WTC Water, as opposed to WTC Wastewater conversion rates to perform his calculations. As depicted in Table 2, Attachment A of the Executive Director's Exceptions, the conversion rates were changed from "63.9% to 21%." Those conversion rates are for WTC Water for FY 2006, however, and not for WTC Wastewater. The correct conversion rates are from 4.2% to 6.2%.<sup>32</sup> Adjusted for this miscalculation, the Executive Director's calculations would be as follows:

<b>WTC Sewer</b>	<b>Adjusted Cost of Service</b>	<b>Note</b>
<b>Direct O&amp;M</b>	\$609,681	
Operational Center	\$55,251	
Regional	\$11,018	
Customer Service	\$124,547	
W/WW Common	\$162,570	Conversion from 4.2% to 6.2%
WSBU	\$124,945	Conversion from 4.2% to 6.2%
New Business Development	\$20,501	Conversion from 4.2% to 6.2%
Net Residual Corporate	\$56,542	Conversion from 4.2% to 6.2%
<b>Subtotal Direct/Shared</b>	\$555,374	
<b>Total O&amp;M</b>	\$1,165,055	
<b>Debt Service</b>	\$1,857,034	
<b>Debt Service Coverage</b>	\$464,259	
<b>Community Development</b>	\$84,969	
<b>Operations Reserves</b>	\$47,340	
<b>Total Expenses</b>	\$3,618,657	
<b>Non-Rate Revenues</b>	(\$418,000)	
<b>Revenue Requirement</b>	<b>\$3,200,657</b>	

<sup>32</sup> See Ex. BC-77; Ex. BC-83.

As illustrated, inserting the correct allocator percentage, the total revenue requirements for WTC Wastewater would be \$3,200,657,<sup>33</sup> which is higher than the budgeted amount for FY 2007. Significantly, the Executive Director concludes that even with a revenue requirement of \$2.9 million, there would be a 20% shortfall after the third step of the rate increase is implemented for residential customers. This is consistent with LCRA's representation that its rates were not developed to recover the entirety of the costs. The rates for WTC Wastewater are just and reasonable.

#### **IV. DETERMINATION OF REASONABLE RATES**

In determining whether LCRA's rates are just and reasonable, Bee Cave makes a comparison between their calculated expenses (which has been shown to be incorrect), and the revenues collected in FY 2007. Bee Cave ultimately concludes that LCRA's rates should only increase by 8.02% because that is the percentage difference between their calculated expenses and collected revenues. The Districts' argument follows the same concept, although the percentages are different. Appellants' means of determining reasonableness of rates, or adjusting rates is wholly incorrect. First, the revenues that were collected in FY 2007 included revenues for both wholesale and retail customers. While the expenses also include both retail and wholesale expenses, the same ratio of expenses between wholesale and retail customers (as determined through a cost of service study) will not necessarily be the same as the ratio of actual revenues collected between wholesale and retail customers. Second, no expert has advocated or would advocate ratesetting based on such a methodology because the revenues for FY 2007

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<sup>33</sup> Compare this number to numbers discussed in Section II.B., above.

have not been normalized.<sup>34</sup> The revenues generated during a given year do not reflect the normal revenues that are to be expected year in and year out. Every expert that has testified on this issue has explained that the proper means of determining rates is establishing the expenses, subtracting normalized non-rate revenues and building rates that generate sufficient revenues to meet the revenue requirements.<sup>35</sup> The Executive Director and LCRA have performed that task. The Executive Director concluded that even if WTC Water's revenue requirements are \$9.5 million, the revenues generated by the third step of the rate increase do not meet those revenue requirements. LCRA has determined that even a revenue requirement of \$9.2 million for WTC Water does not render the rates that are the subject of this proceeding unreasonable. Both parties have made this determination based on information that is contained in the record. As demonstrated above, the revenue requirements of WTC Water, after the necessary adjustments requested by the ALJ, are above \$9.5 million. LCRA has proven, by a preponderance of the evidence, that its rates are just and reasonable.

With regards to WTC Wastewater, both the Executive Director and LCRA have shown that the third step of the rate increase result in revenues that are significantly lower than the revenue requirements for operating the system. Under the Executive Director's calculation, the third step of the rate increase results in an under-recovery of revenues by approximately 20%. LCRA's calculations show a similar result. LCRA has proven, by a preponderance of the evidence, that its rates for WTC Wastewater are just and reasonable.

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<sup>34</sup> Tr. Vol. 8, pp. 1490:25-1491:1; Hearing Tr. Vol. 6, pp. 1147-1148; Tr. Vol. 11, p. 1906.

<sup>35</sup> See, e.g., LCRA Ex. 5, p. 4:13-21; Ex. BC-67; Ex. DGR-11.

**V.  
NO BASIS TO REVERT BACK TO PRE-2007 RATES/JUST AND REASONABLE  
RATES MUST BE SET**

Appellants also argue that the Commission should reject any rate increases by LCRA and set the rates at the level in effect prior to the August 22, 2007 rate increase. Appellants base this argument on two propositions: 1) an order in a prior, distinguishable case involving an investor-owned utility in which the ALJ ordered the rates revert back to pre-rate application levels; 2) LCRA failed to discharge its burden of proof by using a far-future test year instead of an historic test year, adjusted for known and measurable changes; and 3) WTC Water and WTC Wastewater rates cannot be determined for FY 2007 revenues because the record lacks evidence regarding the number of billing units over which costs should be allocated. Appellants' arguments in this regard must fail. The Water Code requires that the Commission fix the rates that should have been set in the action from which the appeal was taken.<sup>36</sup> Appellants cite no relevant authority requiring the Commission to rollback the rates to pre-August 22, 2007 levels and the Water Code does not contain any such requirement. Indeed, there is no basis whatsoever to revert back to the old rates.

Appellants rely, for the proposition of reverting back to previous rates, solely on the distinguishable *Double Diamond Utilities* case involving an investor-owned utility for which the ALJ could not set rates because of a complete lack of information in the record allowing her to do so. In that case, the utility operated several individual systems and had filed an application with the Commission seeking consolidated rates. The ALJ in *Double Diamond* concluded that the evidence did not demonstrate that the rates of the utilities must be consolidated. Upon making that determination, the evidence in the record did not contain the necessary information

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<sup>36</sup> TEX. WATER CODE § 13.043(e).

allowing the ALJ (and ultimately the Commission) to determine the rates for the individual systems. That was because the utility's application had set out to show that the rates must be consolidated and did not seek individual rates for the utilities.

In this case, LCRA developed a substantial record, providing the ALJ and Commission with sufficient information to modify the revenue requirements as directed by the ALJ and to set just and reasonable rates. Indeed, all parties have been able to perform the calculations based on the evidence in the record. There is simply no comparison between this case and the *Double Diamond Utilities* case relied upon by Appellants.

Appellants also claim that LCRA should have based its rates on a historical test year adjusted for known and measurable changes. Appellants are once again repeating long-stale arguments concerning a manufactured test year requirement that has no basis in the statutes or regulations applicable to LCRA. The ALJ has not at any time agreed with Appellants' contention that LCRA is required to use a historic test year, adjusted for known and measurable changes. Bee Cave then argues that even if a historical test year does not need to be used to establish rates, LCRA cannot prove the reasonableness of its rates because it chose to "put all of its eggs in the FY 2010 basket."<sup>37</sup> That is clearly not the case. LCRA has admitted into the record evidence substantiating actual FY 2007 revenue requirements, as well as budgeted FY 2008, FY 2009, and FY 2010 revenue requirements. LCRA has also introduced into the record the necessary information for the Commission to determine whether the rates approved by the LCRA Board would be reasonable based on the revenue requirements established for any of the above years.

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<sup>37</sup> Bee Cave Exceptions, p. 11.

Finally, Appellants argue that the record contains insufficient evidence to calculate rates based on FY 2007 revenues because the record does not support the number of billing units for which rates should be calculated. Appellants would require evidence of actual customers and actual usage from FY 2007 before calculation of rates based on FY 2007 revenues. This argument, however, is simply another variation on Appellants' stale "test year" argument. LCRA presented evidence regarding the number of customers who should contribute to the revenue requirements for the WTC water and WTC wastewater systems through the Angie Flores's testimony and other exhibits.<sup>38</sup> While Appellants complain that this evidence constitutes projections, the testimony establishes that these projections were based on historical numbers.<sup>39</sup> Moreover, testimony from multiple witnesses established that usage by these customers should be normalized to account for weather variations and other matters.<sup>40</sup>

The issue before the Commission is whether LCRA's rates are just and reasonable. The Commission can make this determination because LCRA included in the record historical information, as well as budgeted information, and provided significant testimony in the record regarding the development of each. Indeed, the ALJ found that each and every cost component, except for certain indirect/shared costs, is just and reasonable for FY 2007. As has been shown, a proper adjustment to the indirect/shared costs does not impact the rates. Both LCRA and the Executive Director have presented revenue requirement calculations based on the ALJ's recommendations in the PFD that continue to show revenue requirements that *exceed* revenue

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<sup>38</sup> See LCRA Ex. 6, AF-2B through AF-2E; LCRA Ex. 1, SZ-7, Tables 1W and 2W. See also Testimony of Heidi Graham, Att. 3.

<sup>39</sup> See *id.*

<sup>40</sup> See Tr. Vol. 8, pp. 1490-1491; see also Tr. Vol. 10, p. 1906, discussing the need to normalize data; Tr. Vol. 6, p. 1147-1148 (stating that the system's budget is normalized).

obtained under the proposed three-step rate increase as well as prior rates in effect before August 22, 2007.

In the end, the evidence in the record demonstrates, without question, that the rates set by LCRA, whether based on the FY 2010 revenue requirements or the FY 2007 modified revenue requirements under the PFD, are just and reasonable and should be affirmed. Even if the Commission were to set alternative rates, there is no basis in the record of this case or by law for setting the rates at the prior level in effect before the August 22, 2007 rate increase. Appellants' arguments and exceptions in this regard should, therefore, be rejected.

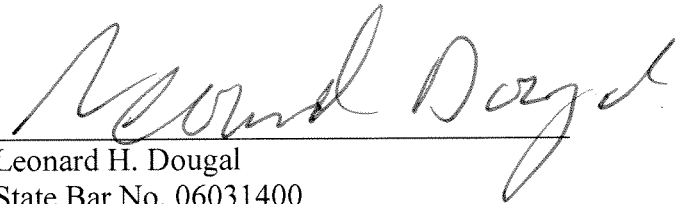
## **VI. CONCLUSION**

The ALJ requested that the parties modify the indirect/shared costs based on a conversion of allocators from volume to direct labor. The parties performed that task based on the evidence in the record. Appellants' calculations were flawed due to their misunderstanding of the Corporate Cost pool. Adjusted for that error, Appellants' calculations of the costs in the cost pools almost matches LCRA's calculations. LCRA and the Executive Director performed an analysis to determine whether the revenue generated by the third step of the rate increase exceeds the revenue requirements of WTC Water, given the adjustment to the indirect/shared costs. Both parties concluded that no such excess exists. The preponderance of the evidence shows that the rates approved by the LCRA Board for WTC Water on August 22, 2007 are just and reasonable.

With regards to WTC Wastewater, the ALJ's recommendation to convert allocators results in an increase of indirect/shared costs. Furthermore, the ALJ has deemed reasonable each and every other cost component of WTC Wastewater for FY 2007. Accordingly, the rates approved by the LCRA Board for WTC Wastewater on August 22, 2007 are just and reasonable.

Because LCRA's rates are just and reasonable, LCRA believes that it is entitled to recover through a customer surcharge the difference in revenues between revenues collected pursuant to the interim rates and the revenues that should have been collected under the third step of the rate increase. Furthermore, LCRA is entitled to recover its reasonable rate case expenses. LCRA requests that the Commission adopt the Findings of Fact and Conclusions of Law proposed by LCRA as part of its Closing Argument, or alternatively, adopt the changes to the ALJ's Findings of Fact and Conclusions of Law, attached hereto as Attachment 4.

Respectfully submitted,



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ATTORNEYS FOR THE LOWER  
COLORADO RIVER AUTHORITY



## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing document has been forwarded to the following as indicated below on the 10th day of March, 2011:

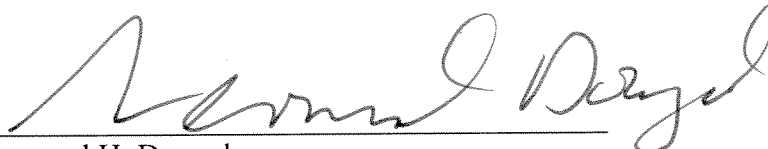
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\_\_\_\_\_  
Leonard H. Dougal

# **ATTACHMENT 1**

Corrected Corporate Residual Calculation

Total FY 2007 Cost per General Ledger	Corporate Residual <sup>1</sup> \$25,641,168
Allocation Factor to WSBU	13%
Allocation to WSBU	\$3,333,352
Allocation Factor to WWUS	14%
Allocation to WWUS	\$466,669
Allocation Factor to WTC Region	n/a
Allocation to WTC Region	n/a
Allocation Factor to WTC Water	21%
Allocation to WTC Water	\$98,001

<sup>1</sup>This represents total corporate residual less capital credits or \$33,336,941 minus \$7,695,772 for a total of \$25,641,168. This total is allocated to WTC Water based on volume after it's allocated to WWUS.

# **ATTACHMENT 2**

Attachment 2

	WTC		WTC Region		Retail		WWJUS		New Business Development		Water Services Business Unit		Corporate Residual <sup>1</sup>		Total
	Operating Center														
Bee Cave															
Total FY 2007 Cost per General Ledger	\$242,588		\$171,910	\$873,537	\$3,488,143				\$390,363	\$5,408,124			\$25,641,168		
Adjustments	\$0		(\$1,406)	(\$137,262)	(\$265,804)				(\$1,307)	(\$748,900)			\$0		
Adjusted Total Cost	\$242,588		\$170,504	\$736,275	\$3,202,339				\$389,056	\$4,659,224			\$25,641,168		
Allocation Factor to WSBUS	n/a		n/a	n/a	n/a				100%				13%		
Allocation to WSBUS	n/a		n/a	n/a	n/a				\$389,056	\$4,659,224			\$3,333,352		
Allocation Factor to WWJUS	n/a		n/a	n/a	n/a				81%				14%		
Allocation to WWJUS	n/a		n/a	n/a	n/a				\$314,240	\$1,538,994			\$466,669		
Allocation Factor to WTC Region	100%		100%	n/a	n/a				68%				n/a		
Allocation to WTC Region	\$242,588		\$170,504	n/a	n/a				\$215,223	n/a			n/a		
Allocation Factor to WTC Water	66%		66%	39%	21%				66%				21%		
Allocation to WTC Water	\$160,605		\$112,882	\$289,083	\$661,959				\$142,488	\$318,127			\$98,001		\$1,783,145

	WTC		WTC Region		Retail		WWJUS		New Business Development		Water Services Business Unit		Corporate Residual <sup>1</sup>		Total
	Operating Center														
WTC MUD Nos. 3 and 5															
Total FY 2007 Cost per General Ledger	\$242,588		\$171,910	\$873,537	\$3,488,143				\$390,363	\$5,408,124			\$25,641,168		
Adjustments	\$0		(\$2,431)	(\$137,262)	(\$265,900)				(\$7,827)	(\$1,003,285)			\$0		
Adjusted Total Cost	\$242,588		\$169,479	\$736,275	\$3,202,243				\$382,536	\$4,404,839			\$25,641,168		
Allocation Factor to WSBUS	n/a		n/a	n/a	n/a				n/a				13%		
Allocation to WSBUS	n/a		n/a	n/a	n/a				n/a				\$3,333,352		
Allocation Factor to WWJUS	n/a		n/a	n/a	n/a				n/a				14%		
Allocation to WWJUS	n/a		n/a	n/a	n/a				n/a				\$466,669		
Allocation Factor to WTC Region	100%		100%	n/a	n/a				68%				n/a		
Allocation to WTC Region	\$242,588		\$169,479	n/a	n/a				\$260,124	n/a			n/a		
Allocation Factor to WTC Water	66%		66%	39%	21%				66%				21%		
Allocation to WTC Water	\$160,108		\$111,856	\$287,147	\$672,471				\$171,682	\$305,255			\$98,001		\$1,806,521

<sup>1</sup>This represents total corporate residual less capital credits or \$33,336,941 minus \$7,695,772 for a total of \$25,641,168. This total is allocated to WTC Water based on volume after it's allocated to WWJUS.

# **ATTACHMENT 3**

Bee Cave Schedule 2 - Adjusted Cost Center Expenditures without Exclusions

	WTC Operating Center	WTC Region	Retail	WWUS	New Business Development	Water Services Business Unit	Corporate Residual <sup>1</sup>	Total
Total FY 2007 Cost per General Ledger	\$242,588	\$171,910	\$873,537	\$3,468,143	\$390,363	\$5,408,124	\$25,641,168	
Allocation Factor to WSBU	n/a	n/a	n/a	n/a	100%	100%	13%	
Allocation to WSBU	n/a	n/a	n/a	n/a	\$390,363	\$5,408,124	\$3,333,352	
Allocation Factor to WWUS	n/a	n/a	n/a	100%	81%	33%	14%	
Allocation to WWUS	n/a	n/a	n/a	\$3,468,143	\$316,194	\$1,784,681	\$466,669	
Allocation Factor to WTC Region	100%	100%	n/a	n/a	68%	n/a	n/a	
Allocation to WTC Region	\$242,588	\$171,910	n/a	n/a	\$215,012	n/a	n/a	
Allocation Factor to WTC Water	66%	66%	39%	21%	66%	21%	21%	
Allocation to WTC Water	\$160,108	\$113,461	\$340,679	\$728,310	\$141,908	\$374,783	\$98,001	\$1,957,250

<sup>1</sup>This represents total corporate residual less capital credits or \$33,336,941 minus \$7,695,772 for a total of \$25,641,168. This total is allocated to WTC Water based on volume after it's allocated to WWUS.

# **ATTACHMENT 4**



# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



**AN ORDER  
REGARDING THE APPEAL OF THE RETAIL WATER AND WASTEWATER RATES  
OF THE LOWER COLORADO RIVER AUTHORITY  
SOAH DOCKET NO. 582-08-2863  
TCEQ DOCKET NO. 2008-0093-UCR**

On \_\_\_\_\_, the Texas Commission on Environmental Quality (TCEQ or Commission) considered the appeals of the retail water and wastewater rates set by the Lower Colorado River Authority for its West Travis County Regional Water and Wastewater Systems. A Proposal for Decision (PFD) was presented by Henry D. Card, an Administrative Law Judge (ALJ) with the State Office of Administrative Hearings (SOAH).

After considering the ALJ's PFD, the Commission adopts the following Findings of Fact and Conclusions of Law:

## **I. FINDINGS OF FACT**

### **Description of LCRA and Appellants**

1. The Lower Colorado River Authority (LCRA) is a political subdivision of the State of Texas, created and functioning as a non-profit conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution.
2. LCRA provides energy, water and wastewater, and community services.

3. LCRA is organized into five business units: (1) Wholesale Power Services; (2) Transmission Electric Services; (3) Water Services; (4) Community Services; and (5) Corporate Services.
4. The Water Services Business Unit (WSBU) operates the Highland Lakes dams and hydroelectric generating facilities; provides water and wastewater utility services; and manages surface water resources.
5. WSBU itself is divided into four operating units: (1) Water and Wastewater Utility Services (WWUS); (2) Raw Water; (3) Hydroelectric; and (4) Irrigation.
6. WWUS operates LCRA's water and wastewater systems. In 2007, LCRA owned and/or operated 40 water and wastewater systems that provided service across mostly rural and suburban Central and South Central Texas, serving a population of over 250,000 in 13 counties.
7. WWUS, in turn, is divided into four geographic regions: (1) the Williamson County Region; (2) the Southwest Region; (3) the Hill Country Region; and (4) the West Travis County Region.
8. WWUS accounts for approximately 1.5 percent of LCRA's total revenues.
9. LCRA first entered the retail water and wastewater business in the 1990s.
10. LCRA's utility systems fall into a few descriptive categories. The first category is small systems, commonly serving fewer, than several hundred connections. Those systems often were constructed by developers and either turned over to the residents or to small entities that did not have the means to make needed capital improvements. The second category is systems where LCRA got involved to address regulatory, environmental, or public health concerns. A third category is systems

built to serve LCRA facilities. The fourth category is regional systems designed to provide efficient services to meet needs in growing areas that cross jurisdictional boundaries. The West Travis County (WTC) systems, which are the subject of this case, fall into the last category.

11. The WTC Region consists of two potable water systems (the WTC Regional Water System and the Glenlake Water System), one wastewater treatment and collection system (the WTC Regional Wastewater System), two wastewater collection systems (West Lake Hills Wastewater System and Rollingwood Wastewater System), and a raw water intake and pumping system (Lakeway Regional Raw Water System). LCRA acquired the WTC Regional Water System in 1994 and the WTC Regional Wastewater System in 2000.
12. The WTC Regional Water System served approximately 4200 retail water meters and seven wholesale meter connections at the end of Fiscal Year (FY) 2007.
13. Demand is better measured by Living Unit Equivalents (LUEs) than by connections, because of variability in meter sizes and demand. By that measure, the WTC Regional Water System served approximately 7,600 LUEs at the end of FY 2007, consisting of about 2,200 wholesale LUEs and about 5,400 retail LUEs. It served several areas and subdivisions, including the City of Bee Cave (Bee Cave) and the Lake Pointe subdivision.
14. At the end of FY 2007, the WTC Regional Wastewater System served approximately 1,700 total LUEs. It served the Lake Pointe Subdivision, the Falconhead and Spanish Oaks Subdivisions, and commercial development in Bee Cave and its ETJ along FM 2244, RM 620, and State Highway 71.

15. Bee. Cave is a small, but rapidly growing city in Travis County, west of Austin.
16. West Travis County Municipal Utility District Nos. 3 and 5 (the Districts) are municipal utility districts that provide certain services in the Lake Pointe subdivision, near Bee Cave.
17. The area served by the WTC Systems is hilly, rugged, and remote from reliable water supplies. It is also environmentally sensitive.
18. Many of the WTC Regional Water System's customers in the Bee Cave area use high volumes of water, particularly in the summer months. The average summer water use in that area is 25,000 gallons per residential connection per month.
19. LCRA allocates much of its shared and indirect operating costs among its regions and systems according to the volume of water use.
20. The Hill Country Region contains 17 water non-contiguous rural water systems, two wastewater systems, and one biosolids composting facility in five counties to the west of Austin.
21. Although the number of water customers for WTC Water was approximately the same as for the Hill Country Region in August of 2007 (4,176 for WTC Water and 4076 for the Hill Country Region), the volumes of water used were considerably different: 2,120,325,300 gallons for WTC Water and 359,949,593 gallons for the Hill Country Region.

#### **Notice and Procedural History**

22. The LCRA Board of Directors adopted new rates for the WTC Regional Systems on August 22, 2007. The adopted rates are set forth in Attachment "A" hereto.

23. On November 30, 2007, the Commission received petitions of appeal from the Districts appealing the water and wastewater rates. On December 28, 2007, the Commission received petitions from Bee Cave appealing the water rates and the Districts of the rate increase for the WTC Regional Water System and from the Districts for the WTC Regional Wastewater System.
24. Although the matter was first referred to SOAH in January of 2008, the administrative record was not transferred until May 16, 2008, and the affidavit of public notice filed August 4, 2008.
25. The preliminary hearing was held August 19, 2008. At the preliminary hearing, jurisdiction was established and the following parties were designated: LCRA, Bee Cave, the Districts, the Office of Public Interest Counsel (OPIC), and the Commission's Executive Director. No discovery or hearing schedule was set, to allow the parties the opportunity for further discussions.
26. Discussions continued into February of 2009, when LCRA informed the ALJ that the parties had reached what LCRA described as a temporary procedural impasse. One of the issues about which the parties could not agree was whether LCRA or the Appellants had the burden of proof in the proceeding.
27. On August 20, 2009, the Commission issued its Interim Order answering certified questions sent to it by SOAH and determining that LCRA had the burden of proof.
28. After the Commission's Interim Order, the ALJ granted Bee Cave's motions to end the abatement of the proceedings and to set interim rates at the level of LCRA's second-step increase.

29. The hearing on the merits was convened August 23, 2010, and adjourned September 8, 2010, after eleven days of hearing. The rate-case-expense phase was convened November 9, 2010, and adjourned November 10, 2010. The parties filed their initial written closing arguments on October 29, 2010. They filed their written replies, which also addressed the rate-case-expense issues, on December 10, 2010. The record closed on December 13, 2010, with the filing of the Executive Director's supplement to his reply.

### **Description of the Rate Increases**

30. The Board set the rates for the WTC systems based on LCRA's budget projections for FY 2010, to increase in three steps, effective October 1, 2007, 2008, and 2009.
31. LCRA's cost-of-service study anticipated that a ~~substantial~~ portion of the increased revenues would be achieved through increased connections. ~~Nevertheless, the rate increases are substantial.~~
32. The adopted water rates increased both the base charges and the volume charge, which itself increases with higher consumption levels.
33. The median residential water usage in the WTC system at the time of the rate increase was just below 10,000 gallons per month. For a residential customer using 10,000 gallons in the Bee Cave District, the final rate would result in a monthly bill of \$82.65, which is an increase of \$29.95 per month over the bill before the rate increases.
34. The adopted rates would also increase both the monthly base charge and the volume charge for wastewater customers. For a residential customer with a winter average

of 10,000 gallons, the final rate would result in a monthly bill of \$109.50, which is an increase of \$52.00 per month over the bill before the rate increases.

35. LCRA hired Rimrock Consulting to perform a cost-of-service study for the WTC Regional Systems.

36. Although it included some historical information for reference, the Rimrock cost-of-service study was designed only to allocate the revenue requirements. Those revenue requirements themselves, and the underlying information for FY 2007-2010, were supplied by LCRA based on its budgets for those fiscal years as of the time of the study. Those budgets had their foundation in the FY 2007 business planning process.

37. LCRA's budgeted expenses for WTC Regional Systems for FY 2007 through FY 2010 were developed by a thorough process involving significant analysis of each cost component as well as expert and management input and oversight.

38. LCRA is not required to use an historic test year, adjusted for known and measurable changes, to set its rates.

37.39. LCRA set its revenue requirement on the FY 2010 budget projections.

40. The use of FY 2010 revenue requirements and connections for the establishment of rates resulted in lower rates to the customers of the WTC Regional Systems, rather than if LCRA used FY 2007 or FY 2008 revenue requirements.

38.41. LCRA's Staff originally intended to present the rate changes to the Board in September of 2006 as a two-step increase. That plan was postponed to allow a management audit of the Water Wastewater Operating unit and its financial option by the Barrington-Wesley-Wellesley Group (BWG) and to seek input from customers.

39.42. The three-step increase adopted on August 22, 2007, set rate increases to occur on October 1, 2007, October 1, 2008, and October 1, 2009.

40.43. The first two steps of the rate increase did not ~~correspond to~~ fully recover the calculated revenue requirements for FY 2008 and 2009.

**LCRA's Use of FY 2010 Budget for Ratesetting Rates Based on FY 2007 Actual Costs**

~~41. Each year LCRA adopts a five-year budget for planning purposes, with spending authorized only for the first year.~~

~~42. The budget is usually not revised during the year, but is revisited and revised the subsequent year.~~

~~43. Not all of the elements of the FY 2010 budget shown in the cost of service study were thoroughly or comprehensively determined—for example, allocated expenses were merely increased three percent per year to account for anticipated inflation.~~

~~44. Even the most thorough and comprehensive analysis cannot necessarily see years into the future.~~

~~45. The FY 2010 budget data was not a reliable forecast of the WTC Systems' anticipated expenses for setting rates in 2007; therefore, the use of that data was not just and reasonable.~~

44. Use of the actual FY 2007 data for calculating revenue requirements is just and reasonable.

45. The actual FY 2007 data, if just and reasonable for ratesetting, would result in slightly higher rates than the FY 2010 data, because the higher revenue requirement in FY 2010 was mitigated by the anticipated growth in connections.



## **Basis for Calculating Revenue Requirement**

~~46. The LCRA Board approved the FY 2008 budget before August 22, 2007.~~

~~47.46.~~ The cost-of-service study was finished in September 2006 and used actual data approximately through April or May of 2006.

~~48. The cost-of-service study's figures for FY 2008 were not actual FY 2008 budget figures, but were projections themselves based on data that were more than a year old at the time the rates were set.~~

~~49. It would have been reasonable for LCRA to have used its actual FY 2008 budget, set in the summer of 2007, to set rates in August of 2007.~~

~~50. The projected FY 2008 budget in the cost-of-service study, based on data more than a year old, was not a reliable forecast of the WTC systems anticipated expenses for setting rates in 2007; therefore, the use of that data would not be just and reasonable.~~

~~51.47.~~ In the absence of a reliable budget adopted close in time to the actual rate increase, LCRA's actual FY 2007 data should be the starting point for ratesetting in this case.

~~52.48.~~ The actual FY 2007 figures were available at the time the Board set the rates that are at issue in this case.

## **O&M Expenses**

### **Use of Volume As Allocator**

~~53.49.~~ All work performed by LCRA, including work that benefits the WTC Regional Systems, is recorded on LCRA's books and records via work order entries. That procedure applies to all direct and shared/indirect costs.

54.50. When a work order is set up, a combination of components from LCRA's chart of accounts is assigned to that work order. That combination directs the transaction to a specific business unit or units and cost center(s).

55.51. Direct and indirect operating and support costs that are attributed to the WTC Regional Systems ~~may originate in any business unit in LCRA, depending on the services provided and received. Operating costs originate primarily in the WSBU and may include costs from other operating units within the WSBU, but are primarily from such as the WWUS. Some Support support costs are also provided by and shared/indirect costs originate in the WSBU and the CSBU.~~

56.52. Four general cost pools contain costs that ultimately are allocated to the WTC Regional Systems and other systems. Those cost pools are:

1. Corporate Services level expenses (CSBU);
2. Water Services Business Unit (WSBU) expenses, which represent
  - (a) WSBU Internal Overhead expenses and
  - (b) New Business Development expenses;
3. WWUS expenses, which represent
  - (a) WWU Common Expenses and
  - (b) Retail Customer Services expenses; and
4. West Travis County Region (WTCR) level expenses, which represent
  - (a) Region general expenses and
  - (b) Operating Center expenses.

53. All the services included in the cost pools and allocated to WTC Regional Systems are necessary for the provision of water and wastewater services.

54. Costs are allocated to systems based on the underlying statistics of each system and are ultimately assigned in relation to their benefits to the system.

55. LCRA allocated costs to the WTC Regional Systems in accordance with the following cost allocation methodology documents and policies: 1) LCRA FY 2007 Cost Allocation Manual, 2) Water Services' Common Cost Allocations FY 2007 Business Plan, and 3) Water and Wastewater System Overhead.

57.56. The CSBU costs are assigned to the other business units by direct charging or, when that is not deemed feasible, through allocation. Those CSBU residual expenses are allocated to those units through various means, such as head count (human resources) or operating revenues (overall governance costs, such as the General Manager and the Board). The amount allocated to WWUS is first allocated to systems where there is no volume based on the percentage of direct labor of the system. The remainder is allocated to the volume-driven systems based on their relative volumes.

58.57. WSBU Internal Overhead costs are allocated to the four operating systems (of which WWUS is one) based on relative labor hours. As with the corporate residual costs, the WWUS share is first allocated to systems where there is no volume based on the percentage of direct labor of the system. The remainder is allocated to the volume-driven systems based on their relative volumes.

59.58. WSBU New Business Development expenses are allocated between the Raw Water Operating Unit and WWUS based on their pro-rata share of direct charges from the New Business Development group. WWUS' share is allocated between the four

regions based on relative number of households, then within the WTC Region based on volume.

60.59. WWUS Common expenses also are first allocated to systems where there is no volume based on the percentage of direct labor of the system. The remainder is allocated to the volume-driven systems based on their relative volumes.

61.60. WWUS Customer Service expenses are allocated to the various systems based on the relative number of retail customers.

62.61. WTC Region Operating Center expenses are allocated based on direct labor charges of operations staff.

63.62. WTC Region general expenses are allocated to systems based on the relative volume within the region.

64.63. LCRA's use of relative volume as the primary allocator for shared and indirect costs began in FY 2006.

65.64. Before FY 2006, costs were allocated based on a spreadsheet model. ~~The allocation approach was not consistent throughout LCRA;~~ LCRA determined it needed a consistent approach to cost allocation. After considering other approaches, LCRA determined volume, which was common throughout the systems, was the best method for allocating shared and indirect costs that could not be directly assigned.

66.65. The results of using volume as an allocator were significant. In FY 2004, the WTC Water system had \$1,862,356 in allocated shared and indirect O&M costs. In FY 2007~~5~~, the Cost of Service showed that it had ~~\$43,464~~575,403~~024~~ in allocated shared and indirect O&M costs. Although overall costs increased somewhat, much of the shared and indirect O&M increase was due to the revised allocation formula.

67.66. The WTC Systems are in growing areas, while many of the Hill Country Region systems are smaller systems with fewer financial means and with potential regulatory, environmental and public health issues.

68.67. Under LCRA's procedures for allocating shared and indirect costs, which rely extensively on relative volumes, considerably more costs were allocated to the WTC Region than to the Hill Country Region.

69.68. In the Hill Country cost-of-service study, upon which rates were also set on August 22, 2007, the Hill Country Region's allocated shared and indirect O&M costs related to Corporate Support charges for FY 2007 were \$66,000. In contrast, the WTC Region cost-of-service study set its allocated shared and indirect costs for FY 2007 for Corporate Support Costs at at-\$3,575,024253,701<sup>1</sup>. Ms. Flores testified that she believed that the Hill Country Cost of Service included additional allocated costs that were embedded within the "Labor" category of the Hill Country Cost of Service.<sup>2</sup>

~~70. Although treated water is the end product of the individual systems, the record contains no credible evidence that the costs that are allocated by LCRA vary in accordance with the volume of water.~~

~~71. Although Mr. Kellieker stated that various other allocators were considered and found inadequate, LCRA did not produce any study or written document to that effect.~~

~~72. The use of volumes as an allocator appears to have been primarily, if not entirely, an accounting determination rather than an engineering or operations one.~~

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<sup>1</sup> LCRA Ex. SK-9

<sup>2</sup> Tr. Vol. 9, pp.1666-1671; see also BC-72.

~~70. Several types of costs were included in the cost pools but would not necessarily increase according to volume, such as operations personnel, maintenance, telecommunications, security, safety and environmental activities, and technology services.~~

~~71. LCRA failed to prove the reasonableness of its use of relative volumes to allocate shared and indirect costs.~~

~~72. Direct labor more closely approximates cost causation and should be used instead as a cost allocator for ratesetting in lieu of relative volumes, for both WTC Water and WTC Wastewater.~~

### **Specific O&M Expenses**

76.69. Although LCRA based its rate increase on its FY 2010 budget forecast, it presented data for FY 2007, both in support of those budget projections and in anticipation of the other parties' opposition to its approach.

77.70. Leave benefits are not separately loaded into the accounting system as an adder during the annual business planning process. The planning assumption is that each budgeted position is expected to be paid for at least 2,080 hour each year. By using 2,080, LCRA included the total cost of leave in developing its budget.

78.71. The actual base labor paid as compensation for leave does not get charged as labor to the systems; related costs for leave are recorded in benefit accounts.

79.72. LCRA's benefits accounting was accurate.

80.73. LCRA's construction and engineering staff provide routine, recurring work at its facilities.

81.74. Engineering Services budgeted time to the cost pools to support maintenance programs and activities with the region, as well as helping develop the capital plan and consult on operations issues.

82.75. Construction Services budgeted time to support maintenance programs and activities within the region.

83.76. Rates and Analysis' activities included business and financial analyses of individual systems, financial monitoring and tracking, and developer reimbursement information.

84.77. Legal Services reviewed contracts, met with developers, and supported the general needs of the utility, such as drafting or reviewing Board agenda items.

85.78. The New Business Development cost pool included engineers analyzing possible additions to the system, managers conducting discussions with developers, municipalities, and community leaders regarding system additions, and rates and analysis personnel providing financial analysis of potential additions and acquisitions.

86.79. Rate Analysis personnel provided ongoing financial support activities, such as developing annual budgets and monitoring monthly financial performance.

87.80. LCRA has committed to reserve raw water for the utilities ~~despite the lack of a contract with itself~~pursuant to a resolution approved by the LCRA Board of Directors. To delete the raw water charges would require raw water customers to subsidize retail customers.

88.81. The cash-needs approach to ratemaking includes recovery of cash capital outlays.

~~86. LCRA is not seeking recovery of expenses for damages from operations and employee injuries, employee service awards and deferred compensation, equipment and software, First Night and the Texas Parks and Wildlife Department, "Practicing Perfection," certain real estate acquisitions, strategic planning salaries and other expenses, executive oversight other interest expense, certain miscellaneous items, "Develop the Water/Wastewater B," other interest expense, or legislative advocacy expense.~~

90.82. With a few exceptions one exception set out in the following Findings, LCRA's actual FY 2007 direct O&M expenses, along with the underlying cost pool expenses, were just, reasonable, and useful in providing service.

~~88. The following particular O&M expenses should be deleted before calculating the WTC Water O&M expenses:~~

<b>Description</b>	<b>Amount</b>	<b>Exhibit No.</b>
<del>Rate and Financial Analysis—</del>		
<del>—— Salaries and Benefits</del>	<del>\$114,431</del>	<del>BC-24</del>
<del>Rate and Financial Analysis—</del>		
<del>—— Other Expenses</del>	<del>\$18,948</del>	<del>BC-25</del>
<del>Legal Services—Salaries</del>	<del>\$15,294</del>	<del>BC-51</del>
<del>Legal Services—Other Expenses</del>	<del>\$22,276</del>	<del>BC-26</del>
<del>Damages from O&amp;M Injuries</del>	<del>\$62,825</del>	<del>BC-27</del>
<del>Employee Service Awards and</del>		
<del>—— Deferred Compensation</del>	<del>\$286,623</del>	<del>BC-28</del>
<del>Equipment and Software</del>	<del>\$195,243</del>	<del>BC-29</del>
<del>First Night Austin/Texas Parks &amp;</del>		
<del>—— Wildlife Department</del>	<del>\$22,500</del>	<del>BC-30</del>
<del>"Practicing Perfection"</del>	<del>\$34,550</del>	<del>BC-31</del>
<del>Real Estate Acquisition</del>	<del>\$2,653</del>	<del>BC-32</del>



Strategic Planning—		
———Salaries	\$357,900	BC-51
Strategic Planning—		
———Other Expenses	\$12,702	BC-33
Executive Oversight—Other Interest	\$10,896	BC-34
Miscellaneous	\$40,810	BC-35
“Develop the Water/Wastewater B”—		
———Other Interest	\$16,459	BC-36
Legislative Advocacy	\$10,069	NA

~~89. With the exception of legislative advocacy, the excluded expenses are from various cost pools at various levels of the LCRA organization. They should be allocated to (or rather, from) WTC Water in the manner set out in Ms. Heddin’s testimony, without her proposed related adjustments for benefits and FICA.~~

93.83. The \$18,536 in outside services for rate analysis paid to Rimrock Consulting is not a normal operating expense and should be excluded from WTC Water’s O&M expenses.

94.84. The raw water reservation fee should be included in the WTC Water and WTC Wastewater expenses.

~~92. To the extent those fees exist, the raw water charges or reservation fees for WTC Wastewater should be disallowed as proposed by the Districts.~~

### **Debt Service Expense**

96.85. LCRA’s actual expense summary for FY 2007 shows debt service expense of \$4,549,074 for WTC Water and \$1,857,034 for WTC Wastewater.

97.86. Because LCRA does not earn a return on investment and cannot have taxing authority, it has two sources of funds: revenues produced from operations and proceeds from the issuance of debt.

98.87. LCRA issues debt as an entity, rather than by individual operating units or systems.

99.88. LCRA system debt is assigned to each business unit and operating unit, including WSBU and ultimately the WTC systems, based on their respective pro rata shares of capital activity that is debt-funded.

100.89. At the time the system debt is issued, that debt is specifically assigned to the appropriate capital project expenditures being financed.

101.90. Actual debt service is the sum of all payment schedules for all debt assigned from each revenue bond issue.

102.91. As of June 30, 2006, the net book value of the WTC Regional Water System was \$74,936,544 and the net book value of the WTC Regional Wastewater system was \$27,492,632. Those figures included completed capital projects and those in the planning and construction phases.

103.92. LCRA provided adequate documentation to show how the amount of debt-funded capital project spending for WTC Water and WTC Wastewater were determined.

104.93. The FY 2007 actual debt service of \$4,549,074 for WTC Water was reasonable.

94. The FY 2007 actual debt service of \$1,857,034 for WTC Wastewater was reasonable.

## **Operations Reserve Expense**

~~106.95.~~ Under Policy 301, LCRA is to maintain the following target levels of operating reserves: Six months of average debt service on all outstanding debt and two months of average operation and maintenance expenses.

~~107.96.~~ LCRA debt-funds its operating reserves.

~~108.97.~~ LCRA included some operations reserve expense in its FY 2007 expenses to account for incremental amounts not recovered. The FY 2007 actual operations reserve of \$179,977 for WTC Water was reasonable.

~~105.~~ ~~Because of the decrease in O&M expenses, an additional amount for operations reserve is not required.~~

## **Debt Service Coverage Expense**

~~110.98.~~ Under its bond covenants and its Policy 301, LCRA is required as an entity to maintain debt service coverage of 1.25 percent.

~~111.99.~~ Debt service coverage, if kept within the system, is a legitimate cost of providing service.

~~112.100.~~ If the WTC systems were exempt from the debt service cost, other LCRA systems or business units would be subsidizing them.

~~113.101.~~ It is reasonable to require the systems to reach the debt service coverage level of 1.25x.

~~114.102.~~ LCRA used the FY 2007 impact fee revenues to revenue-fund WTC Water and WTC Wastewater capital projects. In doing so, it reduced potential debt financing of those projects.

~~115.103.~~ Impact fees should not be used to offset debt service coverage expense.

~~116.104.~~ LCRA reasonably calculated debt service coverage expense for WTC Water and WTC Wastewater equal to 25 percent of the corresponding debt service expense.

~~105.~~ The FY 2007 debt service coverage cost of 1,137,269 for WTC Water was reasonable

~~117.106.~~ Debt service coverage actually collected through rates, if any, should be accounted for in a restricted fund to be used for only capital improvements or reduction of debt service within the West Travis County Region, or for contributions to operating reserves as required by the LCRA Board of Directors.

### **Community Development Expense**

~~118.107.~~ LCRA Board Policy 301 states that three percent of utility budgeted gross revenues shall be charged for community development activities.

~~119.108.~~ For ratemaking purposes, because that would be a circular calculation, the community development amount was estimated as three percent of: total O&M expenses, plus debt service costs, plus operation reserves included in rates, plus times coverage included in the rates, less miscellaneous revenues offsetting rate requirements, less LUE reservation charges offsetting rate requirements.

~~120.109.~~ The community development revenue is used to fund community development and other activities which LCRA is authorized to perform, but which otherwise would have no source of funding. Those activities include community and economic development, parks operations, natural resource services, resource planning and development, public safety, environmental laboratory services, and watershed monitoring and maintenance.

121.110. LCRA is authorized to provide the services and engage in the activities accomplished by the community development revenues.

122.111. The Community Development expenses are reasonable costs for the LCRA system and should be part of the expenses assessed against the WTC systems. The FY 2007 Community Development expense of \$298,333 for WTC Water was reasonable

123.112. Because the debt service coverage, is to be retained within the system as recommended by the Executive Director, the Community Development expense should not be incorporated into the debt service coverage expense as suggested by Bee Cave.

#### **Non-Rate Revenues**

124.113. The LCRA non-rate operating revenues for FY 2007 included: 1) Excess Capacity Reserves; 2) LUE Reservation Charges; 3) Raw Water/Effluent Revenues; and 4) Other /Miscellaneous Revenues, as well as wholesale water revenues. Those revenues are counted as credits and used to offset the revenue requirements.

125.114. "Excess capacity reserves" do not originate from ratepayers, but are contributed by LCRA to the WTC systems to account for capacity constructed to serve future, rather than current, customers.

126.115. LCRA should not be required to include an excess capacity revenue contribution in its non-rate revenues.

### **Rate Design Determination of Reasonableness of Rates**

~~127.116.~~ The rate design set out by the Executive Director's method for determining the reasonableness of LCRA's rates ~~was reasonable, and should be used in establishing the rates in this case.~~

### **Revenue Requirements**

117. The total revenue requirement of WTC Water is \$11,695,437, calculated as follows:

<b><u>Cost Component</u></b>	<b><u>Actual FY 2007 Expenses</u></b>
Direct O&M	\$1,954,429
Indirect/Shared Costs	\$3,946,888
Debt Service	\$4,549,074
Debt Service Coverage	\$1,137,269
Community Development	\$298,333
Operating Reserves	\$179,997
Raw Water	\$525,092
<b><u>Total</u></b>	<b><u>\$12,591,082</u></b>
<b><u>Non-Rate Revenues</u></b>	<b><u>(\$895,645)</u></b>
<b><u>Revenue Requirements</u></b>	<b><u>\$11,695,437</u></b>

**Alternative FOF No. 117:** The total revenue requirement of WTC Water is \$9,570,027, calculated as follows:

<b><u>Cost Component</u></b>	<b><u>Based on PFD</u></b>
Direct O&M	\$1,935,893
Indirect/Shared Costs	\$1,842,810 <sup>3</sup>
Debt Service	\$4,549,074
Debt Service Coverage	\$1,137,269
Community Development	\$298,333
Operating Reserves	\$179,997
Raw Water	\$525,092
<b><u>Total</u></b>	<b><u>\$10,465,672</u></b>
<b><u>Non-Rate Revenues</u></b>	<b><u>(\$895,645)</u></b>

<sup>3</sup> This number could be revised to \$1,957,250, if the ALJ follows Bee Cave's methodology and also concludes that no exclusions are necessary.

<b><u>Revenue Requirements</u></b>	<b><u>\$9,570,027</u></b>

118. The total revenue requirement of WTC Wastewater is \$3,132,951, calculated as follows:

<b><u>Direct O&amp;M Expenses</u></b>	<b><u>\$609,681</u></b>
<b><u>Indirect/shared O&amp;M Expenses</u></b>	<b><u>\$437,779</u></b>
<b><u>Debt Service</u></b>	<b><u>\$1,857,034</u></b>
<b><u>Debt Service Coverage</u></b>	<b><u>\$464,259</u></b>
<b><u>Operations Reserve</u></b>	<b><u>\$47,340</u></b>
<b><u>Raw Water Charge and Reservation Fee</u></b>	<b><u>\$49,957</u></b>
<b><u>Community Development</u></b>	<b><u>\$84,901</u></b>
<b><u>Total Expenses</u></b>	<b><u>\$3,550,951</u></b>
<b><u>Non-Rate Revenues</u></b>	<b><u>(\$418,000)</u></b>
<b><u>Revenue Requirement</u></b>	<b><u>\$3,132,951</u></b>

#### **Refunds/Recovery of Lost Revenues**

128:119. The rates currently in effect are interim rates set at the level of Phase 2 of LCRA's three phase increase.

129:120. If the rates ultimately set are above that level, LCRA should be allowed to recover the lost revenues.

121. Because LCRA's rate increase is just and reasonable, LCRA is entitled to recover through a customer surcharge the difference in revenues between revenues collected

pursuant to the interim rates and the revenues that should have been collected under the third step of the rate increase.

122. The lost revenues should be calculated from October 1, 2009, the date upon which the third step would have gone into effect until the date of the Commission Order.

123. The amount of the surcharge will be set and approved by the LCRA Board. For each system, the surcharge amount is calculated as follows: the amount of lost revenues (as determined by the LCRA Board) divided by the number of active retail connections at the time of the Commission Order (and as determined by the LCRA Board). That number is then divided by 24 to be collected during a 24 month period and assessed against each retail connection.<sup>4</sup>

~~126. If lost revenues are to be recovered, those revenues should be calculated from October 1, 2009 (the date, on which the third step would have gone into effect) until the date of the Commission's Order. A surcharge should then be calculated by taking the amount of the lost revenues for each system (WTC Regional Water and Wastewater) divided by the number of active LUEs at the time of the Commission Order, to be collected over a period of 24 months, or until the revenue is recovered. The lost revenues should be determined by taking actual billing data for the period beginning October 1, 2009 through the date of Commission Order.~~

~~131.~~124. Because all WTC Wastewater customers are also customers of WTC Water, only one surcharge would be required.

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<sup>4</sup> *Id.* at 4:1-10.



~~128. If the rates ultimately adopted are below the current level, refunds should be calculated in the same manner as recommended by LCRA for potential lost revenues, and be accomplished over a 24-month period.~~

### **Apportionment of Transcript Costs**

~~133.~~ 125. ~~LCRA should pay the hearing transcript expenses~~ Transcript costs are reasonable and should be allocated between the parties in accordance with their participation in this matter.

126. LCRA is further entitled to recover its portion of the transcript costs as a rate case expense as set forth herein.

### **Rate Case Expenses**

~~134.~~ 127. LCRA seeks recovery of \$959,490.97 in rate case expenses, which includes attorneys' fees, consultants' fees, transcript costs, and other miscellaneous expenses.

~~135.~~ 128. The requested expenses were broken into broad categories as follows:

#### Attorneys Fees

Freeman & Corbett LLP (invoices dated 11/9/07-2/2/09)	\$ 14,135.00
McCall, Parkhurst & Horton LLP (invoice dated 8/13/10)	760.00
Jackson Walker LLP (invoices dated 1/14/10-10/18/10)	<u>764,607.09</u>
Subtotal	779,502.09

#### Consultants

J. Stowe & Co., Inc. (invoices date 1/19/10-9/10/10)	97,903.94
Rimrock Consulting co. (invoices dates 11/1/07-9/10/10)	<u>63,025.63</u>
Subtotal	160,929.57

#### Expenses

Kennedy Reporting. Services, Inc.	17,273.85
Texas Depo	1,767.31
Pro Courier Services	<u>18.15</u>
Subtotal	19,059.31

Total

\$959,490.971<sup>5</sup>

~~136.129.~~ A two-day hearing was held on the rate-case-expense issue on November 9-10, 2010.

~~137.130.~~ Because this Order finds against LCRA on its use of the FY 2010 budget forecast and its use of relative volumes as an allocator, and because this Order would lead to at least a significant reduction from LCRA's third phase rates, LCRA should not recover its rate case expenses in this case. It is reasonable and appropriate for LCRA to recover its rate case expenses in the amount of \$ 959,490.971 as a monthly surcharge, which will be calculated as follows: total rate case expenses divided by 4,925 (the number of water connections existing within the WTC System at the time of the hearing). That number is then divided by 24 to be collected during a 24-month period.

## II. CONCLUSIONS OF LAW

1. The Texas Commission on Environmental Quality (the Commission) has jurisdiction over these appeals pursuant to TEX. WATER CODE ANN. § 13.043.
2. The petitions of appeal were filed within the 90-day time limit set by TEX. WATER CODE ANN. § 13.043(c) and 30 TEX. ADMIN. CODE (TAC) § 291.41(0.
3. SOAH has jurisdiction over all matters relating to the conduct of a hearing in this proceeding, including the preparation of a proposal for decision with findings of fact and conclusions of law, pursuant to TEX. GOV'T CODE ANN. § 2003.047 and

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<sup>5</sup> LCRA Closing Argument on Rate Case Expenses, page 2. Of the \$17,273.55 in Kennedy Reporting expenses, \$13,520.25 was related to transcript costs for the evidentiary hearing

- TEX. WATER CODE ANN. § 5.311.
4. All required notices of the application and the contested case hearing on it were given as required by law. TEX. WATER CODE ANN, § 13.187; TEX. GOV'T CODE ANN. §§ 2001.051 & 2001.052.
  5. A district whose ratepayers have appealed under TEX. WATER CODE ANN. § 13.043(b) must still demonstrate that its rates are just and reasonable.
  6. TEX. WATER CODE ANN. § 49.2122(b) only creates a presumption that *customer classes*, as opposed to rates, established by a district are properly established absent a showing that the district action establishing the classes was arbitrary and capricious.
  7. LCRA has the burden of proof in this proceeding.
  8. LCRA is a retail public utility under TEX. WATER CODE ANN. § 13.002(19).
  9. TEX. WATER CODE ANN. § 13.002(19) does not require a retail public utility to use a test year, as defined in § 13.002(22) in setting its rates.
  10. A retail public utility may use a future budget to set its rates, provided the budget is a reliable forecast of anticipated expenses. SOAH Docket No. 582-05-0003, TCEQ Docket No. 2004-0979-UCR, *Petition Requesting Review of Chisholm Trail Special Utility, District's Rate Increase Pursuant to Texas Water Code Section 13.093*. (PFD issued Feb. 8, 2006; Order issued May 3, 2006) (*Chisholm Trail*).
  11. The rates set by LCRA should not automatically revert to the pre-August 2007 levels. Instead, the Commission shall fix in its final order the rates the governing body should have fixed in the action from which the appeal was taken. TEX. WATER CODE ANN. § 13.043(e).

12. The rates established by this Order are just and reasonable, as required by TEX. WATER CODE ANN. § 13.043(j).
13. The rates established by this Order are not unreasonably preferential, prejudicial, or discriminatory but sufficient, equitable, and consistent in application to each class of customers, as required by TEX. WATER CODE ANN. § 13.0430.
14. The methodology used to set the rates preserves the financial integrity of the retail public utility, as required by TEX. WATER CODE ANN. § 13.043(j).
15. TEX. WATER CODE ANN. § 13.043(e) allows the Commission to order refunds or allow a surcharge to recover lost revenues in a rate appeal.
- ~~16. If the rates established by this Order are below the interim rates currently in effect, LCRA shall refund the difference in the manner set out in the Findings of Fact that are part of this Order.~~
- ~~17.16. If the rates established by this Order are above the interim rates currently in effect, LCRA shall be allowed to recover the lost revenues in the manner set out in the Findings of Fact that are part of this Order.~~
- ~~18.17. Transcript costs should be assessed against LCRA are reasonable and shall be allocated between the parties in accordance with their participation in this matter, pursuant to 30 TAC § 80.23(d)(1)(F1).~~
18. LCRA is further entitled to recover its portion of the transcript costs as a rate case expense, to be calculated as a part of the monthly customer surcharge as specified herein.

19. ~~LCRA should not recover its rate case expenses pursuant to TEX. WATER CODE ANN. § 13.043(e)~~LCRA may recover its rate case expenses through a monthly surcharge of \_\_\_\_\_ per connection for twenty-four months.
20. Rate case expenses are allocated among all of WTC Regional Systems governed by the proceeding equally on a per-connection basis.

### III. ORDERING PROVISIONS

**NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY, IN ACCORDANCE WITH THESE FINDINGS OF FACT AND CONCLUSIONS OF LAW, THAT:**

1.21. Based on the above, the appeals of the City of Bee Cave and West Travis County MUD Nos. 3 and 5 from the rates set by the Lower Colorado River Authority (LCRA) for the West Travis County Regional Water System, and the appeal of West Travis County MUD Nos. 3 and 5 from the rates set by LCRA for the West Travis County Regional Wastewater System, are granted in part and LCRA is authorized to collect the following rates: \_\_\_\_\_ rates attached hereto as Attachment "A."

2.22. Debt service coverage actually collected through rates, if any, should be accounted for in a restricted fund to be used for only capital improvements or reduction of debt service within the West Travis County Region, or for contributions to operating reserves as required by the LCRA Board of Directors.

3.23. ~~LCRA shall be assessed the full amount of the reporting and transcription costs~~Transcript costs shall be apportioned between the parties in accordance with their participation in this proceeding.

24. LCRA shall recover the difference between the interim rates and the rates set by this Order as a customer surcharge, which shall be calculated, set and approved by the LCRA Board.
25. Reimbursements for lost revenues resulting from interim rates shall be allocated among all of the WTC Regional Systems by the proceeding equally on a per-connection basis.
26. LCRA shall recover its rate case expenses, including but not limited to attorneys' fees and transcript costs, through a monthly surcharge of \_\_\_\_\_ per connection for twenty-four months beginning with the first full billing month subsequent to the date of this Order authorizing the rates attached hereto as Attachment "A"..
27. Rate case expenses shall be allocated among all of WTC Regional Systems governed by the proceeding equally on a per-connection basis.
- 4.28. All other motions, requests for entry of specific Findings of Fact or Conclusions of Law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied.
- 5.29. The effective date of this Order is the date the Order is final, as provided by 30 TEX. ADMIN. CODE § 80.273 and TEX. GOV'T CODE ANN. § 2001.144.
- 6.30. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any provision shall not affect the validity of the remaining portions of this Order.

**ISSUED:**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**Bryan W. Shaw, Ph.D., Chairman**  
**For the Commission**

# **EXHIBIT “A”**

**Bee Cave/Bee Cave South Rate District  
Water Rates  
Residential Customers**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8"	\$27.50	\$30.00	\$31.65	\$31.65
¾"	\$41.25	\$45.00	\$47.50	\$47.50
1"	\$55.00	\$75.00	\$79.15	\$79.15
1 ½"	\$110.00	\$150.00	\$158.25	\$158.25
2"	\$176.00	\$240.00	\$253.20	\$253.20
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

Volume Charge per 1,000 gallons (all meter sizes)							
Existing Above 1,000 gallons		Proposed 2007 All Volumes		Proposed 2008 All Volumes		Proposed 2009 All Volumes	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 and above	\$6.50	50,001 and above	\$8.50	50,001 and above	\$10.20	50,001 and above	\$13.00



**Bee Cave/Bee Cave South Rate District  
Nonresidential Water Rates  
Customers with 5/8" and 3/4" Meters**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>5/8"</b>	<b>\$27.50</b>	<b>\$30.00</b>	<b>\$31.65</b>	<b>\$31.65</b>
<b>3/4"</b>	<b>\$41.25</b>	<b>\$45.00</b>	<b>\$47.50</b>	<b>\$47.50</b>

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**Bee Cave/Bee Cave South Rate District  
Nonresidential Water Rates  
Customers with Meters of 1" and Greater**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
1"	\$62.00	\$80.60	\$100.75	\$117.20
1 1/2"	\$110.00	\$165.00	\$198.00	\$207.90
2"	\$176.00	\$211.20	\$264.00	\$299.40
3"	\$352.00	\$528.00	\$633.60	\$665.30
4"	\$550.00	\$832.50	\$999.00	\$1,049.00

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 - 35,000	\$3.00	0 - 35,000	\$3.30	0 - 35,000	\$4.25	0 - 35,000	\$5.30
35,001 or more	\$5.75	35,001 or more	\$7.50	35,001 or more	\$8.10	35,001 or more	\$10.20
1,001 - 75,000	\$3.00	0 - 75,000	\$3.30	0 - 75,000	\$4.25	0 - 75,000	\$5.30
75,001 or more	\$5.75	75,001 or more	\$7.50	75,001 or more	\$8.10	75,001 or more	\$10.20
1,001 - 100,000	\$3.50	0 - 100,000	\$3.90	0 - 100,000	\$4.25	0 - 100,000	\$5.30
100,001 or more	\$5.75	100,001 or more	\$7.50	100,001 or more	\$8.10	100,001 or more	\$10.20

**Multiunit Residential and Multiple Use Facilities Rates**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>Monthly Minimum Charge</b>	**	**	**	**
<b>Volume Charge</b>	\$5.25	\$6.15	\$7.50	\$9.40

\*\*Same as Monthly Minimum Residential Charge based on Meter Size

**Bee Cave/Bee Cave South Rate District  
Water Rates  
Irrigation Customers**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8"	\$27.50	\$30.00	\$31.65	\$31.65
3/4"	\$41.25	\$45.00	\$47.50	\$47.50
1"	\$55.00	\$75.00	\$79.15	\$79.15
1 1/4"	\$110.00	\$150.00	\$158.25	\$158.25
2"	\$176.00	\$240.00	\$253.20	\$253.20
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**290/HPR/Homestead-Meadowfox Rate Districts  
Water Rate  
Residential Customers**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8" or 1/4"	\$50.00	\$54.00	\$57.50	\$57.50
1"	\$75.00	\$82.50	\$86.25	\$86.25
1 1/2"	\$125.00	\$137.50	\$143.75	\$143.75
2"	\$176.00	\$240.00	\$287.50	\$287.50
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**290/HPR/Homestead-Meadowfox Rate District  
Nonresidential Water Rate  
Customers with 5/8" and 3/4" Meters**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8" or 3/4"	\$50.00	\$54.00	\$57.50	\$57.50

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**290/HPR Rate District  
Nonresidential Water Rates  
Customers with Meters of 1" and Greater**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
1"	**	\$100.60	\$108.25	\$136.60
1 ½"	**	\$173.75	\$207.00	\$217.90
2"	**	\$219.95	\$273.00	\$309.40
3"	**	\$536.75	\$642.60	\$675.30
4"	**	\$841.25	\$1,008.00	\$1,059.00

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 55,000	**	0 - 55,000	\$3.30	0 - 55,000	\$4.25	0 - 55,000	\$5.30
55,001 or more	**	55,001 or more	\$7.50	55,001 or more	\$8.10	55,001 or more	\$10.20
1,001 - 75,000	**	0 - 75,000	\$3.30	0 - 75,000	\$4.25	0 - 75,000	\$5.30
75,001 or more	**	75,001 or more	\$7.50	75,001 or more	\$8.10	75,001 or more	\$10.20
1,001 - 100,000	**	0 - 100,000	\$3.90	0 - 100,000	\$4.25	0 - 100,000	\$5.30
100,001 or more	**	100,001 or more	\$7.50	100,001 or more	\$8.10	100,001 or more	\$10.20

\*\*Customers currently pay the residential rate for service.

**Bee Cave/Bee Cave South Rate District  
Wastewater Rates**

**Residential Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>Minimum Charge</b>	\$21.50	\$30.00	\$40.00	\$52.00
<b>Flow Charge per 1,000 gallons*</b>	\$3.60	\$4.00	\$4.75	\$5.75

**Nonresidential Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>Minimum Charge per LUE*</b>	\$36.00	\$50.00	\$65.00	\$80.00
<b>Flow Charge per 1,000 gallons**</b>	\$5.75	\$6.00	\$6.25	\$7.25

**Multiunit/Multiple Use Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>Minimum Charge per LUE*</b>	\$36.00	\$45.00	\$60.00	\$72.00
<b>Flow Charge per 1,000 gallons**</b>	\$5.75	\$6.00	\$6.25	\$7.25

\*Living Unit Equivalent

\*\*Flow Charge is based on 100% of the amount of water consumed by the non-residential, multiple use facility and multi-unit residential customer as measured by the potable water meter.